

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 FRB-03 INR-10 IO-13 NEA-11 NSAE-00 ICA-11
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 OIC-02 /113 W
-----129277 270650Z /12

R 262006Z MAY 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 8924
DEPARTMENT TREASURY
INFO AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
AMEMBASSY BRUSSELS

C O N F I D E N T I A L BONN 09741

USOECN AND USEEC ALSO FOR EMBASSIES

E.O. 11652: GDS
TAGS: ECON EFIN GW
SUBJECT: OECD MINISTERIAL PREPARATIONS:
EXPERTS GROUP MEETING

REF: (A) BONN 9269, (B) PARIS 16585

1. DR. GRIMM, FRG REP TO MAY 29 EXPERTS GROUP MEETING,
TOLD ECONOFF ON MAY 26 THAT FRG WHOLEHEARTEDLY AGREED
WITH SECRETARIAT'S PAPER ON POSITIVE ADJUSTMENT POLICIES.
GRIMM SAID THAT HIS ONLY REGRET WAS THAT HE HAD NOT BEEN
THE AUTHOR. HE WILL STRONGLY UPHOLD SECRETARIAT'S
RECOMMENDATIONS AGAINST ANY EFFORTS BY MORE PROTECTION-
IST-MINDED COUNTRIES TO WATER THEM DOWN.

2. ON EPC PAPERS, GRIMM SAID THAT FRG WOULD HAVE
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RESERVATIONS ABOUT SOME OF THE ANALYSIS AND POLICY
RECOMMENDATIONS. FRG ECONOMISTS CONSIDER OECD'S
EXPENDITURE MULTIPLIER OF 2 1/2 MUCH TOO LARGE AND OECD
TOO OPTIMISTIC ABOUT INFLATIONARY IMPACT OF INCREASED
DEMAND. IN FRG'S VIEW OECD ANALYSIS FOCUSES TOO MUCH
ON CURRENT ACCOUNT SURPLUSES AND OVERLOOKS CONTRIBUTION
TO GROWTH OF FRG CAPITAL TRANSFERS THROUGH EC AND THROUGH

DIRECT FOREIGN INVESTMENT.

3. GRIMM SAID IT WAS UNREALISTIC TO EXPECT ANY FRG
ECONOMIC POLICY INITIATIVES SIX WEEKS BEFORE THE SUMMIT.
POLITICAL SITUATION MIGHT JELL ENOUGH OVER THE COMING
MONTH THAT THE FRG WOULD HAVE SOMETHING FOR THE SUMMIT.
HE NOTED THAT THE FINANCE MINISTER WANTS TO
SPEND MORE AND THE ECONOMICS MINISTER PREFERS TO CUT
TAXES. ENSUING POLITICAL EVENTS COULD HELP ENGENDER
A COMPROMISE BY EARLY JULY.
STOESSEL

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